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Thirty-seventh session
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Agenda item 10

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON
THE SECOND PART OF ITS THIRTY-SEVENTH SESSION**

held at the Palais des Nations, Geneva
from 11 to .. March 1991

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

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1. In the absence of Mr. Jean David Levitte (France), President of the Board at the first part of its thirty-seventh session, recalled by his Government to take up new duties in Paris, the second part of the thirty-seventh session was opened by Mr. Emeka Ayo Azikiwe (Nigeria), Vice-President.

2. Mr. Azikiwe announced that, following a meeting of the Bureau on 14 December 1990, attended by regional co-ordinators and the representative of China, the nomination of Mr. Emilio Artacho Castellano (Spain) as President designate of the Trade and Development Board had been endorsed at the monthly consultations of the Secretary-General, on the understanding that Mr. Artacho Castellano would be formally elected at the opening of the second part of the thirty-seventh session.

3. In his opening address, Mr. Emilio Artacho Castellano (Spain), incoming President, said that the outlook for the industrialized countries in the early 1990s was somewhat constrained; economic growth and trade had declined in the preceding 18 months and there had been a resurgence of inflation in a significant number of countries, although this could be controlled provided that there was no upper movement in energy prices. The cautious attitude of the private sector as a consequence of recent developments had not yet dissipated and meant that recovery would still require time.

4. The developing world was becoming more diverse, some countries having succeeded in their reforms while others had lost ground and moved into the least developed category. In general, the economic results in the developing world had been worse in the previous decade than during the 1970s, particularly in Latin America, sub-saharan Africa and the Caribbean. In the 1980s its terms of trade had deteriorated and the prices of commodities had been the lowest in real terms since World War II. At the same time, high interest rates and high levels of indebtedness had frequently frustrated structural adjustment programmes. These trends had run parallel to democratization, respect for human rights and the environment. It had frequently happened that such intense national efforts had not been encouraged by a favourable international economic environment.

5. Since the first part of the current session the progress of the countries in Central and Eastern Europe towards a market economy had continued. The Gulf conflict had also meant that the period had been one of tense waiting for

most international and domestic economic operators. It was now more necessary than ever to find new and imaginative solutions for the economic and social ills afflicting the world.

6. Reviewing the agenda, he said that the problems raised in the Uruguay Round should be given priority attention by the Board. Participants in the Round must make additional efforts to obtain balanced results which would lead to the liberalization and expansion of world trade. In addition, the growing competitiveness of labour-intensive exports from developing countries made it increasingly necessary that there should be a body of rules better to regulate this trade and market access. Hence the importance for the current session to make a thorough study of protectionism and structural adjustment.

7. The Board was also to undertake an examination of progress made in the implementation of the decisions of the Paris Conference on the Least Developed Countries. It would be the first evaluation of a programme which would last 10 years. The Board might also consider the affect of the recent upheaval in oil prices and draw appropriate conclusions.

8. As to the Programme of Action for African Recovery and Development (UNPAAERD) and he noted that despite its positive results, and the considerable increase of operational activities by UNCTAD dedicated to Africa, the United Nations system as a whole would have to make further efforts to ensure the long-term development of Africa and overcome the root causes of its poverty and marginalization.

9. As to the future role of UNCTAD itself, he observed that, in a changing international scene, the international organizations should bring their working methods up-to-date. To that end, UNCTAD should work more flexibly, remain open to new thinking and adapt its structures to variations in world political realities. The Conference on the Least Developed Countries and the recent sessions of the Board had been sound examples of realism and co-operation and the Board should orient its future work along those lines. Reinforced in this way, UNCTAD would be inevitably destined to play a significant role in international economic relations in future.

10. The Secretary-General of UNCTAD, commenting on the aftermath of the recent Middle East hostilities, said that the region and the world required a bold approach to alter radically the political and economic dynamics at play.

Peace could only be constructed on the basis of a solid consensus within the region regarding the settlement of outstanding political issues, focusing in particular on security, justice and the chance to achieve prosperity. The United Nations could be used to help achieve these objectives. Developments in Europe following World War II had proved the wisdom of building economic security as a complement to political security. Similar wisdom and imagination were called for in addressing the construction of peace in the Middle East. Perhaps the time had come to think in terms of a common and larger Middle East house, stretching from the Mediterranean to the Hindu Kush and from the Caucasian mountains to the Arabian Sea.

11. Many countries, including least developed countries, had been exposed to the negative effects of the conflict. Appropriate domestic and international policy responses must include even stronger reform efforts, supported by international co-operation, including a larger scale financial assistance lodged in a multilateral framework and based on economic criteria.

12. Reviewing the agenda, he observed that the item on the United Nations Programme of Action for African Economic Recovery and Development, provided the Board with an opportunity to prepare an input into the General Assembly's final review and appraisal.

13. The annual review of progress in the implementation of the Programme of Action for LDCs for the 1990s would be a major element of UNCTAD's role as focal point for the global monitoring and follow-up of the Programme.

14. While the recent decision to resume the Uruguay Round represented a reassertion of the political will of Governments to see the negotiations to a successful conclusion, he stated that a long drawn out conclusion would be fraught with hidden dangers, not least the generation of uncertainty for Governments and economic operations alike. Many decisions could not be delayed until the conclusion of the Round lest the danger of actions being taken might run counter to the underlying objectives of the Round.

15. The resumption of the Round provided a fresh opportunity for strengthening the multilateral trading system, taking into account development dimension.

16. The active participation of the developing countries in the Round was essential and the UNCTAD secretariat stood ready to continue to facilitate this through its technical co-operation programme. The Uruguay Round needed

to be supported by actions in other areas and forums, designed to improve the co-ordination of macroeconomic policies, to reduce debt burdens, to strengthen commodity markets and food security, and to translate the growing concern with environmental protection, into policies supportive of trade and development.

17. UNCTAD VIII would focus attention on the whole range of these issues and their interaction. General Assembly resolution 45/201 requested the Secretary-General to report through ECOSOC on institutional developments, taking into account all relevant proposals, related to the strengthening of international organizations in the area of multilateral trade. The UNCTAD secretariat had been entrusted with the preparation of this report.

18. As to the annual review of protectionism and structural adjustment, policy issues in the 1990s regarding market access were likely to be influenced by the outcome of the Uruguay Round. Tariff and non-tariff barriers remained obstacles to the smooth functioning of inter-trade. While the number of developing countries adopting more open trade policies was increasing, trade restrictions and departures from the multilateral approach were on the rise in developed countries. These developments suggested some loss of faith in the multilateral system. The international community faced a clear choice: either to revitalize the multilateral system or to witness a slide into managed trade, tiered preferences, and inward-looking trade blocs.

19. The elimination of protectionism in developed countries needed to be complemented by governmental policies aimed at structural change. The market-oriented policy reforms pursued in Eastern Europe, taking place in difficult economic circumstances, had added a new dimension to the issue of protectionism and structural adjustment. If these efforts were to bear fruit, an improved external environment was an essential requirement. If developing countries were to share in the benefits, they would need support in gaining access to the new market opportunities in Eastern Europe.

20. The UNCTAD secretariat had intensified its work on trade, foreign direct investment, technology and services in this area, seeking in particular to enhance common understanding of the nature of this relationship and of its implications for the development process.

21. There was a clear need to address the complex interrelationships that existed between trade, foreign direct investment and the globalization of economic activity and corporate operations. The transfer of technology to developing countries and the services problematique should be addressed in a coherent conceptual and institutional framework.

22. In this connection initiatives were underway within the United Nations to begin a gradual process of integrating the complementarity of UNCTAD and UNCTC work programmes in order to permit an in-depth examination of such issues, enhance the quality of outputs to intergovernmental bodies concerned, and respond to the changing needs of the international community.



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Chapter I

GENERAL STATEMENTS

23. The spokesman for the Group of 77 (Jordan) observed that the formidable development challenges of the 1990s went to the root of survival of a vast part of humanity. Underdevelopment, poverty, environmental degradation and economic stagnation could only be overcome if the efforts of the developing countries were adequately supported by the international community in an interdependence of mutual benefits and interests. To restore development by overcoming the current economic stagnation in a rapidly changing world economy was the ultimate challenge that demanded imaginative and vigorous responses, which could only be international and based on multilateral co-operative solutions that carried with them the political good will of the whole international community.

24. The events of the last decade had pointed to the degree of change that economies and countries had undergone and at the same time the degree of interdependence in the total sum of the international community's social, economic and political endeavours.

25. Whether countries were producers or consumers, their goals and ambitions set the stage for their success or failure and for that they were in need of new direction, and a new vision that was truly universal. Limited and regionalized objectives were laudable but were not an end in themselves and certainly no substitute for a truly international and multilateral solution in which the welfare of all was taken into account.

26. The importance which his Group attached to UNCTAD VIII could not be understated. It came at an opportune time as a forum in which to seek appropriate responses to the challenges of the new decade and to assess the opportunities posed by the new developments, trends and perceptions in international economic co-operation. The developing countries expected the Conference to elaborate the measures and guidelines for national and international policies and actions conducive to sustained and sustainable development.

27. UNCTAD VIII represented the closest opportunity at hand for evolving an equitable, rational and effective management of the global economy, so as to enable developing countries to participate effectively and equitably in the emerging competitive structures of the 1990s and to seek a better and more efficient division of labour through the needed reforms in the trading and financial systems.

28. New ideas were the only forward motion in accommodating to the changes that were impacting on nations and there was a dire need to know which direction to seek. The current events and outlook impelled States to seek the common ground that the Conference could provide. The time for it was sooner rather than later. Countries needed the Conference in order to refocus their objectives on multilateral action and international co-operation. His Group was convinced that UNCTAD VIII would provide the appropriate policy responses. The Group of 77 has been actively engaged in a major exercise of deliberations, debates and analyses, and had made substantive progress in its preparations for UNCTAD VIII.

29. The representative of China observed that the world economy and trade were characterized by many unstable factors. Since the fourth quarter of 1990, the United States and some other developed countries had entered economic recession. This would also adversely affect the economic growth and development of developing countries. The Gulf War had brought about losses to the economy and trade of the developing countries. The Uruguay Round had come to a dilemma and it remained uncertain whether the negotiations could get out of it in the near future. The developing trend of regional blocs and its impact on world economy was unpredictable.

30. Trade protectionisms constituted one of the major factors underlying the difficulties faced by developing countries. More serious was that more and more trade protectionist measures were directed at a large number of developing countries. Protectionism in the trade of agricultural products was the result of contention for world agricultural products market among major developed countries. For many developing countries, textile products were the most important manufactured goods for export. Nevertheless, the export of textile products had been subjected to the most strongest restrictions by the developed countries. A noteworthy trend in recent years was that, while many developing countries were gradually taking a series of measures to open their markets, thus contributing to the liberalization of world trade, trade protectionist measures adopted by the developed countries had been on the rise instead of being decreased.

31. China was concerned that the progress of the Uruguay Round was very much imbalanced. The negotiations on market access which was of particular concern to developing countries had developed with dissatisfaction, while the negotiations on the new issues, which were of particular concern to the

developed countries, had gone beyond the objectives as set in the Ministerial Declaration. As a result, the interests of the developing countries were faced with a serious threat. China had made great efforts, together with other developing countries, for the realization of the objectives set in the Ministerial Declaration. However, the efforts made by the developing countries had not received corresponding response from the developed countries.

32. Regional blocs, unilateral actions and bilateral agreements had been seriously eroding the multilateral trading system of the GATT. The vast majority of developing countries were excluded from regional blocs and were subject to increasingly severe trade discrimination. Confrontation among trade blocs should be avoided. UNCTAD should carry out in-depth study of the trend of regional economic integration and its possible effect on the economy and trade of the developing countries.

33. The Chinese Government attached great importance to the preparatory work for UNCTAD VIII and sincerely hoped that UNCTAD VIII would provide a good opportunity to promoting the North-South dialogue.

34. UN-PAAERD had had a positive effect on helping African countries in easing their debt burden, in improving their exports, and in developing their agriculture and industry. However, due to the fact that the implementation of the Programme of Action was not entirely satisfactory and due to the fragility of the African economy, the deterioration of the external economic environment and frequent natural disasters, the African economy was still faced with serious difficulties. China hoped that the international community would continue to render assistance to the African countries after the expiration of the Programme of Action.

35. His delegation believed that once the SNPA for the 1990s was fully implemented, it would have positive effect on the economic development of the LDCs. Lessons learned in the implementation of the Programme of Action for the 1980s should be borne in mind. His delegation hoped that UNCTAD would make a greater contribution in promoting the implementation of the Programme of Action and play an active role in co-ordinating all relevant activities within the United Nations system in this connection.

36. In 1991, China was to start the implementation of the Eighth Five-Year Plan and Ten-Year Programme for its national economic and social development. One of its basic guiding principles was to adhere to its current policies of reform and opening to the outside world. In this decade, China would establish a new system of a planned commodity economy and a set of economic mechanisms

combining the planned economy with market adjustment. At the beginning of the current year, the Chinese Government had made a decision to further carry out reform in its foreign trade structure. The implementation of this decision meant that foreign trade enterprises would exercise automatic management, shoulder their own profits and losses and compete among one another on an equal footing. This would not only help to streamline China's foreign trade system, but would also contribute to the liberalization of world trade.

37. The spokesman for Group B (Greece) observed that since the first part of the session the international scene had been fraught with important developments in particular the cumulative impact of four major international developments, namely: the Gulf War; the Uruguay Round negotiations; the efforts of Central and Eastern European countries to introduce market-oriented economies and undertake political reforms; and signs of a generally perceived relative weakening of economic activity, in some major countries of the world.

38. The Gulf War had brought into evidence the sensitivity of the international economy in situations of major crises, while at the same time the vulnerability of many developing countries became evident.

39. After a period of uncertainty that followed the Brussels Ministerial Meeting negotiations in the Uruguay Round were proceeding again and participants were looking forward to a positive outcome as soon as possible. A successful conclusion would encourage the further integration of developing countries into the multilateral trading system and would provide a stimulus to world trade and a basis for sustainable growth and structural change until the end of the century and beyond.

40. Group B welcomed developments in Central and Eastern European countries and would continue economic co-operation with them and consolidation of their democratic achievements, but reaffirmed that its support for them would not be at the expense of Group B's commitment to the development of the developing countries.

41. During the 1980s, world economic growth had proceeded for the longest continuous period since the end of World War II, slowing somewhat to an average of 2.8 per cent for 1990. While trade had expanded at a healthy rate of 6 per cent during 1990, within the developing world, fundamental differences in economic performance and policies had gradually emerged. One important factor to bridge the gap would be increased South-South trade.

42. In the developing and the Central and Eastern European countries the situation had been harder, due to the many years of inefficient economic management. Looking ahead, there were positive signs as the Gulf War had ended a successful outcome of the Uruguay Round seemed within reach.

43. Environment had assumed major importance for the whole world and most sectors of economic activity were, directly or indirectly, linked with it. It was only for UNCTAD to focus on research and activities related to the environmental aspects of trade and development. Sustainability should be the objective of every country in its development efforts and the useful deliberations of the recent Oslo Seminar should be taken into account.

44. One of the recent subjects of discussion in UNCTAD was that of good management, a relatively new item, regarding which considerable efforts were being made to clarify its different aspects. The recent Caracas seminar was a useful initiative of the UNCTAD secretariat which allowed the issue of good governance to be addressed. On a related subject the South Commission Report mentioned the needs for "a more open discussion of the extent of corruption and its detrimental effects on development and society".

45. Group B considered the issue of major significance in order to enhance national policies in using the available resources effectively, and it should be kept under review in preparation for UNCTAD VIII.

46. Notwithstanding continuous and strenuous efforts by many African Governments, the overall African economic situation was weak. The impact of the Gulf War had undoubtedly had adverse effects on most African economies. Members of Group B reaffirmed their commitment to supporting African nations, so that they were enabled to implement the necessary reforms in conformity with their commitments under UNPAAERD.

47. Reiterating Group B's satisfaction with the successful outcome of the Paris Conference he said that it led to an agreement on strengthened partnership based on mutual commitments but an assessment or review of the implementation of the Programme of Action of this Conference during the current session seemed somewhat premature.

48. Group B approached the current session with open mind and willingness to co-operate constructively with all parties for a positive outcome, particularly as Governments moved towards UNCTAD VIII, a major economic meeting which could give new impetus to solidarity and partnership between the developed and the developing countries.

49. The representative of the Union of Soviet Socialist Republics said that UNCTAD VIII should be the main event in the field of global economic co-operation in 1991, and it was therefore a matter of serious concern that the venue and dates for the Conference had not been settled. Negotiations on the draft final document of UNCTAD VIII should begin as soon as possible, within the framework of ad hoc negotiating groups and brief special sessions of the Board, as necessary. UNCTAD should continue to serve as the main subsidiary body of the General Assembly in the field of trade and development, and in particular it should play a key role in the implementation and review of the International Development Strategy for the 1990s. An item on UNCTAD's contribution to the Strategy should be included in the agenda for regular sessions of the Board. The final document of UNCTAD VIII should be drafted taking due account of aims and provisions of the Strategy.

50. With regard to countries undergoing transition towards a market economy, he confirmed that the USSR was formally pursuing its goal of converting to an economic system based on the extensive use of market relations and becoming an integral part of the world economy. In adjusting its work on Eastern European countries, UNCTAD as a universal organization and its secretariat should preserve the relevant co-ordinating and analytical structures, at least for a transitional period, and thus should be reflected in the 1992-1993 work programme. Indeed, some of these structures should be enhanced through the recruitment of new experts able to work from primary sources.

51. On the question of protectionism, his country was concerned by the continuing use of protectionist measures, including quantitative restrictions, and the trend towards the increase of use of non-tariff measures. It was therefore hoped that the Uruguay Round of MTNs would quickly reach a successful conclusion, and UNCTAD should examine the possible consequences of the outcome of the Round for world trade.

52. Some developing countries feared that the changes in East-West trade relations could take place at their expense. However, these changes would open up new opportunities for mutually advantageous economic activity and would enhance world economic relations, and that was in the interests of developing countries. In addition, his country's new tariff legislation, to be adopted in 1991, envisaged favourable conditions for goods imported from developing countries under the generalized system of preferences. The liberalization measures taken by Western countries in relation to

their trade with certain Eastern European countries had barely affected the Soviet Union, and progress was slow. In particular, the agreement reached with the United States on most-favoured-nation treatment had not yet entered into force.

53. With regard to structural adjustment, the issue of converting military sectors of the economy could be discussed, in its trade-policy and foreign-trade dimensions, within the context of the Board's regular consideration of interdependence.

54. Concerning Africa, although many of the goals of UN-PAAERD had not been attained, the Programme had played a positive role in terms of mobilizing efforts. With regard to the LDCs, the outcome of the Paris Conference, as reinforced by the Declaration adopted at the eighteenth special session of the General Assembly, provided a good basis for the harmonization of the internal and external conditions of development of LDCs.

55. His country favoured the idea of a comprehensive world market and recognized that it bore a share of the responsibility for ensuring that all parts of the world economy worked in a normal fashion. In that connection, assisting developing countries according to its possibilities remained an important element of the Soviet Union's foreign and economic policy.

56. The representative of Australia said that it was fortunate that the stalemate in the Uruguay Round was over and that negotiations were now back on track. The success or failure of the Uruguay Round was of vital importance, especially to developing countries and to small- and medium-sized economies. The experience of Brussels proved that the negotiations could not be concluded before there was a credible package of results in all areas.

57. Australia had taken an active role in the Round and was seeking comprehensive and balanced results which would build a coherent GATT framework strengthening existing rules and ensuring that GATT continued to be effective in the traditional areas of market access. As the "engine of world growth" for the last four decades, international trade required the stability and predictability of an effective framework of internationally respected rules and a demonstrated and continuing commitment to liberalization.

58. The enhancement of domestic economic management was fundamental to increased trade competitiveness. Australian structural adjustment policies in recent years had been directed primarily towards the internationalization of the Australian economy. Australia's twin objectives were to reduce or eliminate those structural distortions in the economy which constrained

efficiency and productivity, and to encourage the development of a more diversified and export-oriented economy. To achieve these objectives Australia had undertaken a wide range of micro-economic reforms.

59. An increasing number of countries, particularly in Central and Eastern Europe and in Latin America, were also witnessing major economic reforms and programmes of structural adjustment. It was important that this progress be consolidated through concurrent advances in the multilateral trading system, in particular through reforms under negotiation in the Uruguay Round.

60. He reaffirmed his Government's continuing commitment to reducing levels of assistance to industry and to encouraging structural adjustment. His Government had just announced a further series of market opening measures to improve Australia's economic competitiveness, including further reductions in the general level of assistance to the manufacturing sector from 10 per cent and 15 per cent rates in 1992 to a general rate of 5 per cent by 1996. Further reductions would also take place in the sensitive sectors of passenger motor vehicles and textiles, clothing and footwear.

61. By the end of the decade, the average nominal rate of industry assistance in Australia would be down to 3 per cent. Such dramatic reductions in general rates of protection must also take account of developments in the relative competitive positions of suppliers. Accordingly, preferential tariff rates for Singapore, Taiwan, Province of China, Hong Kong and Republic of Korea would be frozen and preference margins progressively phased out as the general rates moved down. All these difficult decisions had been essential to promote a more open market in Australia and make Australia a more competitive supplier in the international market.

62. Successive decisions to reduce protection had signalled Australia's commitment to trade liberalization. His Government's determination in this regard contrasted sharply with the continuing reluctance of some major economies to give more impetus to the process of structural adjustment in sensitive sectors.

63. Referring to item 5, he said Australia had welcomed the Conference on the LDCs, which provided the first opportunity to translate the outcome of the special session on the revitalization of growth and development into a practical programme of action for those countries which had particular development problems.

64. His Government intended to seek greater recognition of the specific problems confronting small island States whose development potential was severely hampered by geographic constraints.

65. As to item 4, Australia was deeply concerned by the persistence of the critical economic situation in Africa and welcomed UN-PAAERD as an important initiative. Trade barriers to products of export interest to African countries were significant and had increased in the past 20 years. They now constituted a major disincentive to economic reform and diversification in Africa. The report of the Secretary-General's Expert Group on Commodity problems provided valuable recommendations for consideration by African Governments and the international community in increasing market access for products of interest to African countries.

66. Given that African Governments operated within extremely tight budget constraints, Australia strongly supported the Expert Group's recommendation that the UNDP co-ordinate the development of a commodity sector strategy and policy package.



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Chapter I

GENERAL STATEMENTS (continued)

67. The representative of Switzerland said that UNCTAD VII and the launching of the Uruguay Round had been turning points in the history of international trade policy. The end of the 1980s had seen UNCTAD embarking upon a more concrete dialogue, the renewed commitment of a large number of developing countries on the international scene and in respect of internal liberalization, and liberalization in Central and Eastern Europe. In response, the industrialized countries must further improve access to their markets, in particular through the Uruguay Round.

68. Although the Uruguay Round was not completed, a final outcome was within reach. A trade truce was widely in evidence, as reflected in the limited use of unilateral protectionist measures and the standstill in the number of NTMs affecting developing country exports in particular. Of course, all countries must contribute within their possibilities, to establishing a predictable multilateral framework for the further expansion of trade.

69. The MTN results obtained at Montreal and subsequently had led to a certain liberalization of trade, for example in tropical products. In that connection, it was surprising for the UNCTAD secretariat to treat multilateral progress of this sort as a threat for some developing countries because of the erosion of preferential margins. MFN concessions were of much greater value than the illusory security provided by autonomous and non-reciprocal preferences, and in fact in GATT developing countries almost always asked his country for MFN concessions, not GSP concessions. Of course, Switzerland had no intention of reducing the scope of its tariff preference scheme.

70. One issue of great concern was the increasing marginalization of the poorest developing countries, particularly in Africa, as a result of the lesser growth of the commodities sector and deteriorating terms of trade. The solutions to the problem must include diversification, technical and financial assistance, and trade policy initiatives. His country would be ready to help developing countries in terms of both market access, especially for tropical products, and involvement in new areas such as services and TRIPs.

71. With regard to UNCTAD VIII, it was hoped that the venue and dates would be determined at the Board's current session, since the uncertainty that existed at present could affect UNCTAD's credibility. UNCTAD VIII should consolidate the gains of UNCTAD VII, in particular concerning the common

perception of trade and development problems and the question of interdependence. Attention should be concentrated not on sectoral or institutional issues but on the links between those issues and on the balance between, for example, national policies and the international environment or the role of the State and that of the private sector. The concept of joint responsibility established at UNCTAD VII should be developed into a veritable partnership in trade and development policy.

72. The representative of Uruguay said that the end of the 1980s had marked the beginning of a new and auspicious era in international relations. The dismantling of ideological frontiers had allowed political consensuses, unthinkable only a short time previously, to be reached within the United Nations while the re-establishment of the State based on law and democratic institutions in many parts of the world, including Latin America, had gathered momentum. Nevertheless, the recent hostilities in the Persian Gulf demonstrated the very great fragility of the current situation. The disappointing set-back of the Brussels negotiations proved that acute tensions persisted in international trade and had prevented the reform of the international trading system. Coexistence in a framework of juridical stability under a strengthened United Nations system was the only way to realize the objectives of the San Francisco Charter.

73. It was also necessary to lay down a more just and equitable basis for international economic relations. Prosperous developed States coexisted with others whose history had led to poverty, malnutrition and the other ills of underdevelopment.

74. What form could a new era in international economic relations take if protectionism continued to prevent the export of developing countries' products to the markets of the world's richest countries? The developing countries aimed to form part of an interdependent world which would allow them access to developed country markets, scientific knowledge and technology. The developed countries should understand that it was to their advantage to have the developing countries as reliable partners in terms of mutual benefit.

75. Correction of the imbalances among nations required a joint effort by all States and no opportunity for dialogue should be overlooked.

76. Reviewing the items of the current agenda, he said that UNCTAD VIII would take place against a background of changes in international relations and should be exploited to achieve compromise solutions to the major issues on its agenda. Delegations should work to that end through pragmatism and the

avoidance of rhetorical dogmatism. Only concrete and specific solutions would allow the results of UNCTAD VIII to be regarded as successful. To achieve such solutions, the work of UNCTAD VIII should be focused from the outset on specific areas requiring solutions. The Group of 77 itself should make every effort in this task to submit concrete proposals.

77. UNCTAD continued to be a forum peculiarly qualified to bring an interdependent perspective to bear on problems of trade, money and finance and development. If the organization was to be strengthened, there must be an examination of its role in a world whose dimensions and realities had changed since UNCTAD was founded. The 1990s would present the organization with a challenge to adapt itself to changing realities. This was also a task to be taken up at UNCTAD VIII.

78. The international community was at a historic moment when it must reaffirm its commitment to multilateralism, reinforcing and confirming the auspicious changes which were enhancing relations among States. It was Uruguay's strongest desire that this new era would awaken a renewed sense of solidarity which would strengthen international co-operation.

79. The spokesman for the Group of 77 (Jordan), referring to the issue of "corruption" which Group B had sought to link to the issues of "good governance" and "good management", recalled that his Group had already indicated at the time of the adoption of the agenda for UNCTAD VIII that it did not agree with Group B's interpretation of the term "good management". He therefore wished to re-state his Group's position, which was:

(a) "Corruption", whether in developed or developing countries, was neither on the agenda of UNCTAD VIII nor part of UNCTAD VIII's mandate. Hence, a unilateral attempt to bring it into the development dialogue in UNCTAD was not acceptable to the Group of 77.

(b) Dealing with the extent and problem of domestic corruption in developed and developing countries was a matter for the crime prevention authorities in these countries and could not be a subject for multilateral dialogue or negotiations on development co-operation.

(c) To the extent that this subject had an international dimension, it should and was being dealt with in the context of the Committee on Crime Prevention in Vienna and the International Narcotics Commission and maybe in the context of the Code of Conduct for Transnational Corporations.

(d) UNCTAD's basic mandate, as defined in General Assembly resolution 1995 (XIX) was to promote accelerated economic growth, trade and development, especially of developing countries. Development was by definition a comprehensive concept but was also a positive one.

(e) It was the sincere belief of the Group of 77 that any discussion in UNCTAD on corruption in developed and developing countries would not only vitiate the atmosphere but would degenerate into mutual recrimination which would destroy, not build, the spirit of co-operation and realization of interdependence which it was first and foremost the role of UNCTAD to foster.

(f) Suggestions for treating "corruption" as an issue in the development dialogue raised serious concern about the intentions of his Group's dialogue partners. Was there an attempt to divert attention from the traditional agenda of the dialogue or from their own responsibilities towards the development of developing countries?

(g) The South Commission report had been quoted to justify a discussion in UNCTAD on "corruption". The reference to corruption in the report was in the context of the South's own introspection into problems it faced and its sovereign will and determination to cope with these problems, such as corruption. It was not a matter or a subject for a North-South dialogue. If, indeed, Group B attached importance to the South Commission and its recommendations, it should turn to the section on North-South issues where the South Commission identified a number of important policies, measures and strategies aimed at accelerating the development of developing countries. His Group expected its development partners to take those up and respond positively to them, especially to the six-point Global Programme of Immediate Action, and to the suggestions for the reform of international institutions.

80. The representative of the United Republic of Tanzania felt that it would be a severe set-back to the process of developing a meaningful consensus if the arguments and analysis put forward by the various spokesmen for the Group of 77 fell on deaf ears. A positive contribution in concrete terms by the Board towards meeting current challenges would serve to underline the Board's relevance. If issues of market access and development were treated as of little concern to policy-makers of industrialized countries a corresponding signal would be received by the developing countries. The question facing the latter was not whether but how to use their individual and collective capability, in the face of increasingly narrowing options.

81. The Secretary-General's underlining of interrelationship between trade, investment, technology and services was timely. His reference to economic security being an integral component of common global security, could only be understood to mean that security was indivisible. Without economic security there would not be security as such anywhere. High-tech militarization, or coercion by using trade and technological leverage could only be counter-productive.

82. In the final event it was the prices of essential hardware and input that carried the cost of militarization and of the research and developed effort behind it. Conflicts such as Viet Nam or the Gulf extracted a heavy price from the developing countries in other ways, including drying up capital and resources for assisting development efforts.

83. His delegation could only regret that the Group B statement, representing countries accounting for nearly 80 per cent of global trade and consumption, had failed to address the many burning issues voiced by the spokesmen of the Group of 77. His delegation was not sure if Group B had completely weighed up the implications of its suggestion to include corruption in the agenda for UNCTAD VIII.

84. Wholly endorsing the South Commission report's statement under the heading "Corruption", his delegation believed that, as long as there were rich and poor in a society, there would be strong incentives to take short cuts. But it rejected categorically the suggestion that corruption in the South be put on the UNCTAD VIII agenda. If corruption was to be placed on the international agenda, let those so manifestly concerned by the international spread of this poison bring a resolution before the General Assembly calling for the appointment of a commission of international jurists to study in depth the nature and magnitude of corruption globally and properly defined, of the causes of such corruption, and the remedies they proposed, taking into account the level of development of and administrative equipment available to a given member country. He would have been greatly encouraged had Group B pronounced itself on the North-South aspects of the South Commission's report in the context of trade and development. Group B's statement on item 2 said nothing new. Yet again, virtues of the market were being extolled and urged upon the developing countries, while managed trade, monopolization of technology and intervention through a wide scope of non-tariff devices continued. To be credible, words would need to be backed by actions.

85. His delegation had been encouraged, in the context of the South Commission's urging much greater and deeper South-South co-operation in the economic field, to note that at its first meeting, a group of 15 developing countries at the summit level agreed to implement: (i) a financial mechanism for the promotion of trade among South countries; (ii) an Investment, Trade and Technological Data Exchange Centre of the South; and (iii) a business and investment forum.

86. The Summit meeting had also encouraged initiatives in the fields of co-operation in food security, population and family planning, the groundwork for the second round of negotiations on the Global System of Trade Preferences among developing countries, the GSTP, establishment of a Gene Bank among developing countries, external debt, and the capacity to deal with multilateral financial institutions on issues of debt and loans, as well as other initiatives.

87. As to UN-PAAERD and SNPA, he expressed concern that there was a substantial gap between promises and understandings and actual delivery on the part of the industrialized North as a whole. The understandings themselves were a greatly watered-down outcome of negotiations, against the backdrop of clearly perceived substantial needs of the historically marginalized countries, and the contrast between expectations and performance was almost callous. The least developed countries were history's guinea pigs undergoing prescribed forms of structural adjustment, when in fact theirs was a predicament as large as life itself.

88. His delegation reiterated its hope that the concerns of the developing countries would be taken to heart seriously and in time, if an irreversible trend to despair and bitterness and to what might lie beyond it was to be avoided.

89. The representative of Kenya observed that the global recession, worsened by the Gulf crisis, threatened to stall and even to reverse the progress the developing countries had made in the past few years. The increase in Kenya's import bill for crude oil alone would utilize all its annual earnings from tourism. The economic situation in Kenya was thus already acute on account of numerous intractable problems and Kenya's economic reforms would be subject to increasing pressures on account of the crisis. If Kenya was to pursue the reforms with the same vigour and commitment its richer development partners would have to demonstrate a spirit of co-operation similar to that demonstrated in countering the Gulf crisis.

90. Many African countries had been engaged in courageous reforms to restructure their economies. Kenya had been implementing a long-term strategy since 1986 with the theme "Improved Economic Management for Renewed Growth". To enhance the private sector, measures had been taken to improve the investment environment. Commercial banking reforms had created competition and eliminated non-performing loans and the persistence of negative real interest rates. Kenya was committed to pursuing the reforms.

91. The debate on protectionism and structural adjustment should be about the liberalization and expansion of the global market as well as the ways and means of accelerating the development of developing countries' export trade. Efforts such as those of Kenya were a contribution to this process.

92. The rich industrial countries had a special duty to Africa. The level of economic activity in those countries automatically altered the levels of economic activity in Africa. Development and economic adjustment was a shared responsibility. However effective economic policies were in Africa, success would be minimal unless the programmes were adequately supported by the rich industrialized countries.

93. In this context, Kenya welcomed the revival of the Uruguay Round but was disappointed that the rich countries had demonstrated a lack of will to reform at a time when the poor countries had finally mustered the will to do so. Although the Uruguay Round was meant to reaffirm faith in multilateralism, the threat of the establishment of trading blocs appeared to have become the trend. Liberalization of trade had accelerated world economic growth despite the assymetries in the benefits accruing from it.

94. The growing disparity between the developed and developing countries highlighted the disorder, inequity and insecurity in the international trading system. Commitments to halt protectionism had not been honoured by the developed countries. A number of European countries had or were contemplating imposing taxes on coffee and cocoa, products crucial to the development of many small developing countries in Africa. The developed market economy countries should lead the way to stimulate economic growth in the world as in their domestic economies.

95. Kenya recognized that good governance should be cautious and pragmatic in approach. Apart from taking economic structural adjustment by the horns sub-Saharan Africa was being asked to practice pluralism in political organizations. This externally prescribed good governance was advocated despite the glaring turmoil in a number of African countries whose root causes

were ethnicity. Kenya knew what was good for its society. The principle of good governance had been however linked to aid and foreign direct investments without working out a policy.

96. The present African social structures had not been altered for many centuries; the full-blown colonial period had been brief. The black African societies shared three characteristics: authoritarianism; concentration of loyalty within kinship groups; and successions to leadership were not yet conflict free.

97. These factors continued to be the chief determinants of African political systems. The one-party State had arisen as a result of the present social structure and, more so, as a result of super-Power rivalry in the 1960s. The aid donors and the super-Power politics operated on the above stage with a conspicuous lack of success. In Europe, feudalism had been the order of the day until the merchant class and the industrialists had come onto the scene. Pluralism restricted to the élite had then been practised for many generations. In Africa, Governments were trying to compress centuries of history into decades. The multi-party system in Africa was distinctly dissimilar to the typical Western political systems, because it had no social structure to sustain interest groups, that would be the pillar of a genuine multi-party system. Nevertheless, urbanization and industrialization were taking place and the urban market was expanding and reshaping the social and economic structures.

98. The current system of technology transfer to developing countries was extremely unsatisfactory. Developing countries had courageously taken the necessary steps to attract direct foreign investment and transfer of technology, and yet very little transfer of technology was taking place. Unless the international community undertook to co-operate, the prospects for third world technological development would remain elusive.

99. Freedom from the political, economic and psychological constraints that had been the source of misunderstanding and disputes in the past was the needed point of departure towards the creation of the new order that would generate collective development as much as collective security.



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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 11 to .. March 1991

Rapporteur: Mr. A.N. SYTCHEV (Byelorussian Soviet
Socialist Republic)

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and Indonesia)

Chapter II

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

- IMPLEMENTATION OF THE DECLARATION ON INTERNATIONAL ECONOMIC CO-OPERATION, IN PARTICULAR THE REVITALIZATION OF THE ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES (ECONOMIC AND SOCIAL COUNCIL RESOLUTION 1990/54)

(Agenda item 6)

100. The President recalled that ECOSOC resolution 1990/54 recommended that governing bodies of the organs, organizations and bodies of the United Nations system include in their agenda the question of the implementation of the Declaration and invited them to report to the Council, at its second regular session in 1991, on steps taken by themselves and by Governments within their respective spheres of competence, with a view to ensuring the implementation of the Declaration. Virtually the entire substantive content of the Declaration was relative to the current activities of UNCTAD and the orientations it provided were broadly relevant to the substantive agenda for UNCTAD VIII, which would be the principal occasion for UNCTAD to contribute to the implementation of the Declaration.

101. The spokesman for Group B (Greece) stated that the adoption of the Declaration marked a major step in the international community's efforts to achieve global progress in economic development. The special session itself had contributed to a genuine dialogue and common perceptions among all countries as regards developmental thinking. The Declaration covered a broad spectrum of issues affecting the economic growth of developing countries and included a reference to the responsibility of each country for its own development and emphasized the role of major industrialized countries concerning world economic growth and the international economic environment.

102. The Declaration recognized the role of developing countries in maintaining control over inflationary tendencies, stimulating domestic savings and achieving favourable conditions for domestic and foreign investment. It called for urgent and continuous attention to the external debt problems of developing countries and stated that the quantity and quality of aid should be enhanced and appropriate and additional resources should be provided by the developed countries. All these activities had to take into account environmentally sound policies and sustainable development.

103. Referring to the list of topics included in document TD/B/L.287, he said Group B considered it useful to reiterate that UNCTAD should focus its work on specific areas within its competence and its existing budget, whilst taking

into account the relevant work of other international organizations. The implementation of the Declaration required concerted and continued efforts of all countries. While well thought out responses of each Government to the economic challenges were necessary, international actions as outlined in the Declaration were imperative, if progress in its implementation was to be achieved. Efforts in that direction were part of delegations' task at the current session and beyond.

104. The representative of China said the Declaration was an important document adopted by the international community and, although a couple of its conclusions and projections had yet to be borne out by facts, it could still be regarded as a guide for the international community's work in strengthening international economic co-operation for the promotion of economic growth and development of developing countries.

105. The Declaration was closely related to the functions of UNCTAD, which was therefore duty-bound to take effective action to contribute to the implementation of the measures and objectives as set forth in the Declaration. The achievement of positive results at UNCTAD VIII represented one of the immediate tasks in this regard. The formulation of a complete set of effective macro- and micro-policy measures relating to the agenda items of the Conference would constitute an initial substantive input to the implementation of the Declaration by UNCTAD.

106. The spokesman for the Group of 77 (Egypt) stated that the Declaration on International Economic Co-operation was a landmark in the long search by the community of nations to guarantee the basic right of all human beings to live free from hunger, poverty, ignorance, disease and fear. His Group believed that the declaration on the twenty-fifth anniversary of UNCTAD represented a substantive contribution to the formulation of resolution S-18/3 of the General Assembly. The Declaration defined the commitments and policies for international economic co-operation. In particular it called for a durable and broad solution to the debt problem; implementation of international targets of ODA; support for the efforts of developing countries to create and develop indigenous capacities in the area of science and technology; response by the multilateral financial institutions to the increasing need of developing countries in the 1990s; an open and credible multilateral trading system; and the finding of lasting solutions to the commodity problem of developing countries. UNCTAD had already undertaken efforts to implement

the provisions of the Declaration, in particular through the Programme of Action adopted by the Second United Nations Conference on the Least Developed Countries, resolutions and decisions adopted by the Trade and Development Board at the first part of its thirty-seventh session, the agreed conclusions of the Committee on Commodities and the resolutions adopted by the second United Nations Conference to Review all Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of RBPs. These resolutions represented a positive step forward and he called upon member States, especially developed countries to make extra efforts to implement them. According to its mandate UNCTAD was addressed by the Declaration in its entirety and therefore was required to undertake every possible effort to implement it. The Group of 77 believed that UNCTAD VIII would provide an opportunity to demonstrate the necessary political will as well as an impetus to the efforts to implement the Declaration.

107. The representative of the Sudan stated that the Declaration contained an excellent analysis and important recommendations and constituted a landmark in international economic co-operation. It reconfirmed the importance of interdependence and the need for a global approach to international questions as well as the growing importance of effective interactions between national and international policies. The Declaration had a close bearing on UNCTAD activities, in particular in relation to regional economic integration among developing countries, activities in relation to LDCs, environment and sustainable development, debt and the commodity problems. He called for strong support for UNCTAD activities in relation to the Declaration. UNCTAD had a particular responsibility in the implementation of this Declaration, which would make it possible to avoid the 1990s being another lost decade for development. UNCTAD VIII would be a valuable opportunity to implement the Declaration.

108. The representative of Indonesia said he believed the Declaration would set the tone and pace of international economic co-operation for the 1990s. The consensus reached on a number of issues marked a major turning point in international co-operation and the policies adopted and commitments made on that occasion should be vigorously implemented. The Declaration recognized in particular that reactivation of economic growth and development in developing countries would require a concerted and committed effort by all countries, in particular in the areas of finance, resources for development, debt, international trade, commodities and technology. He noted with concern that

the flow of ODA in the 1980s had not measured up to the needs of developing countries. In this regard the call in the Declaration with regard to the transfer of resources was extremely relevant. The Declaration also made a specific commitment to formulate a durable and broad-based solution to the debt problems of developing countries. The Declaration signified the need for an open and credible multilateral trading system. Problems of international commodity trade had to be addressed. New vigour had to be injected into international commodity co-operation by promoting new mechanisms while preserving the spirit and objectives of the IPC. It was also urgent to foster the establishment of an international arrangement for the transfer of technology to developing countries as science and technological capability were determinant factors for development. Efforts had to be increased to intensify the implementation of the UN-PAAERD and the objectives of the Programme of Action for LDCs for the 1990s. It was more essential than ever to improve and revitalize international economic co-operation. UNCTAD VIII would provide a forum to discuss these issues and to translate the policies and commitments in the Declaration into a workable framework of co-operation and follow-up action.

109. Summing up the discussion on item 6 (a), the President said that, as was underlined in document TD/B/L.915, there was a link between current UNCTAD activities and the substantive content of the Declaration. Indeed a number of the directives in the Declaration were the subject of current deliberations in UNCTAD intergovernmental bodies. Moreover, the policies and commitments in the Declaration were directly relevant to the substantive agenda for UNCTAD VIII, which would be the main opportunity for UNCTAD to contribute to its implementation. He proposed transmitting to ECOSOC at its next summer session a summary of the deliberations at the current session, together with the note by the secretariat under this item.
